

# **\$2 Trillion Federal Stimulus Package passed on March 27, 2020**

## **(FAQ as of March 31, 2020)**

As part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), **the Paycheck Protection Program (PPP)** provides \$349 billion of loan funds to support small businesses and other eligible entities impacted by COVID-19 to pay workers, interest on mortgage obligations, rent, insurance, paid sick or medical leave, utilities, and payroll related costs incurred from February 15, 2020 – June 30, 2020.

- Eligible applicants can apply for a PPP loan, up to a maximum of \$10 million, from participating lenders. Loan amounts are based on previous payroll and covered cost amounts.
- Up to eight weeks of eligible expenses during the covered period can be forgiven from the loan principal as long as the employer maintains previous payroll counts during this emergency.
- PPP loan repayments will be deferred for six months. Lenders can elect to defer the loan for a total of twelve months.
- Interest rates associated with PPP loans will be at a maximum 4% per annum.
- There will be no fees for borrowers to apply.
- There are not collateral requirements or personal guarantees for the loan.
- SBA credit elsewhere test does not apply to this loan.
- All PPP loans are federally guaranteed by the SBA 100%.
- Additional details of PPP will be provided as the SBA regulations, which the CARES Act requires to occur within 15 days of March 27, 2020.
- Lenders will be able to take applications starting on April 3, 2020.
- Application form can be found at: <https://www.sba.gov/document/sba-form--paycheck-protection-program-ppp-sample-application-form>

### **When can I apply for PPP?**

- Loans can be made as soon as the SBA issues implementation guidance; the SBA's goal is to have lenders start accepting applications on April 3, 2020 and loans can be made until June 30, 2020.

### **What are eligible expenses under PPP?**

- Eligible expenses include payroll support, such as employee salaries, paid sick or medical leave, insurance premiums, interest on mortgage, interest on other debt obligations incurred before February 15, 2020, rent, and utility payments.

### **What costs are not eligible for payroll?**

- Employee/owner compensation over \$100,000.
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code.
- Compensation of employees whose principal place of residence is outside of the U.S.
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.

### **Who is eligible and can apply for PPP?**

- Small businesses with 500 employees or less; The SBA size standards show by NAICS code for each type of business: <https://www.sba.gov/size-standards>; or
- 501(c)(3) nonprofit; or
- 501(c)(19) veteran's organization; or
- Tribal business concern described in section 31(b)(2)(C) of the Small Business Act with not more than 500 employees; or
- Sole-proprietors, independent contractors, and other self-employed individuals; or
- Businesses with more than one physical location that employs no more than 500 employees per physical location in certain industries to be eligible and is below a gross annual receipts threshold in certain industries; or
- Businesses in the hospitality and restaurant industries, franchises that are approved on the SBA's Franchise Directory; or
- Small business that receives financing through the Small Business Investment Company (SBIC) program.

### **Do I have to be operational to apply?**

- Yes, entities must have been operational by February 15, 2020 and had payroll and paid taxes.

### **Where can I apply for PPP loan?**

- Lenders are waiting for guidance from the SBA on when to start accepting applications.
- All current SBA 7(a) are eligible lenders for PPP. The Department of Treasury will also be in charge of authorizing new lenders.
- This could be the bank you already use, a credit union, or a nearby bank. There are thousands of banks that already participate in the SBA's lending programs, including numerous community banks.
- The list of lenders can be found on [sba.gov](http://sba.gov).
- You do not have to visit any government institution to apply for the program.
- Additional lenders with sufficient qualifications are expected to be added on a rolling basis by SBA and the US Department of the Treasury.

### **Who approves my PPP loan?**

- The lender who is approved by SBA or U.S. Treasury for PPP will approve your loan application.

### **What is the time period covered under the PPP?**

- The covered loan period is from February 15, 2020 to June 30, 2020.

### **What is the maximum loan amount under the PPP?**

- The maximum loan amount is up to \$10 million.
- There is a formula to determine the loan amount that is related to payroll costs incurred by the business.

### **How is the loan size determined?**

- Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan amount is \$10 million.
  - If you were in business February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.

- If you were not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.
- If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

**How much is the loan guarantee provided by SBA to lenders under the Program?**

- 100% loan guarantee through December 31, 2020.

**Can I still apply for PPP if I can obtain credit elsewhere?**

- Yes. Credit elsewhere requirements are waived for this PPP.

**What certifications will I need to provide in order to apply for PPP?**

- Borrower must certify in good faith that funds are needed for COVID-19 related purposes, that the funds will be used to retain workers, and that their request is not duplicative with other SBA funds for the same purpose.

**What fees will I need to pay in order to apply for PPP?**

- PPP Waives borrower and lender fees payable to SBA.

**Is there a collateral or personal guarantee requirement for PPP?**

- No. Both collateral and personal guarantees are waived.

**What is the interest on PPP loans?**

- Interest rate will be 0.5% per annum.

**What is the maturity of PPP loans?**

- PPP loans will mature in 2 years.

**Is there a prepayment penalty or fee on PPP?**

- No. There are no prepayment fees or penalty.

### **Are there deferred payments allowed under PPP?**

- Loan payments will be deferred for 6 months.

### **Can I get more than one PPP loan?**

- No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

### **Is any portion of the PPP loan forgivable?**

- Yes. Amount spent by borrower in the first 8 weeks for allowable expenses from loan origination will be forgiven with appropriate documentation provided to the lender.
- Amount will be reduced proportionately by the reductions in workforce as compared to the previous year.
- If rehires are made during the 8-week period, then there will be no penalty in reflection of possible layoffs early in the 8-week period.

### **What happens to my PPP loan after December 31, 2020?**

- Anything not forgiven or repaid by December 31, 2020 will convert to a 0.5% per annum loan for 2 year term.
- The loan will remain 100% guaranteed by SBA.

### **How does the PPP loan coordinate with SBA's existing loans?**

- Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and microloans, and also receive investment capital from Small Business Investment Corporations (SBICs).
- However, you cannot use your PPP loan for the same purpose as your other SBA loan(s). For example, if you use your PPP to cover payroll for the 8-week covered period, you cannot use a different SBA loan product for payroll for those same costs in that period, although you could use it for payroll not during that period or for different workers.

## **Loan Forgiveness for Paycheck Protection Program (PPP)**

The Act establishes that PPP borrowers are eligible for loan forgiveness equal to the amount spent by the borrower for allowable expenses during an 8-week period after the origination date of the PPP loan.

### **What can be included in the PPP loan forgiveness amount?**

- Payroll costs;
- Interest payment on mortgage incurred prior to February 15, 2020;
- Interest on other debt obligations incurred before February 15, 2020;
- Payment of rent on lease prior to February 15, 2020; and
- Payment on any utility for which service began before February 15, 2020.

### **What is the maximum amount of PPP loan that can be forgiven?**

- Amounts forgiven may not exceed the principal amount of the loan.
- Eligible payroll costs do not include compensation above \$100,000 in wages.

### **How is PPP loan forgiveness calculated?**

- PPP Loan forgiveness equals the sum of payroll costs incurred during the covered 8-week period compared to the previous year or time period, proportionate to maintaining employees and wages:
  - Payroll costs plus any payment of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation) plus any payment on any rent obligation and any utility payment.
  - The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation.
  - To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period. Further, forgiveness is allowed for additional wages paid to tipped workers.

**What percentage of my forgiven PPP loan amount can be used for non-payroll expenses?**

- Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

**What proof do I need to submit to my lender to qualify for PPP loan forgiveness?**

- Borrowers will provide documentation to lenders of their payments during the period such as payroll tax filings, proof of lease payments, proof of mortgage interest payments, and proof of utility payments.
- Proof of payment can be a bank statement or canceled checks.

**When will my PPP loan be approved for forgiveness?**

- The borrower must make a request to the lender for forgiveness by providing documentation of payments made under the covered period.
- The lender has 60 days to review and approve the request for forgiveness.

**What happens to the portion of my PPP loan that is not forgiven?**

- Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan with terms of a 2 years, at maximum 0.5% interest per annum.
- 100% loan guarantee remains intact from the SBA.

## **Subsidy by Small Business Administration (SBA) on Existing SBA**

### **Loans**

The CARES Act provides for a six-month loan payment subsidy by SBA on behalf of eligible borrowers on certain existing SBA loans made prior to March 27, 2020.

#### **What loans qualify for subsidy of payments by SBA?**

- SBA loan that qualify for SBA subsidy payment is an existing 7(a) (including Community Advantage), 504, or microloan loans.
- Loans made, up until six months after enactment, will also receive a full 6 months of loan payments by the SBA.
- Paycheck Protection Program (PPP) loans are not covered for payment subsidy.

#### **What is the payment subsidy for eligible loans?**

- SBA will pay the principal, interest, and any associated fees that are owed on the eligible loans for a six-month period starting on the next payment due.
- Loans that are already on deferment will receive six months of payment by the SBA beginning with the first payment after the deferral period.

#### **When will SBA make subsidy payments?**

- SBA must make payments no later than 30 days after the date on which the first payment is due.
- SBA is required to still make payments even if the loan was sold on the secondary market.

#### **Are deferments on loans encouraged under the subsidy payment program?**

- Yes. SBA is required to encourage lenders to provide deferments and allows lenders, up until one year after enactment, to extend the maturity of SBA loans in deferment beyond existing statutory limits.